

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
AUDIT OFFICE

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CALIFORNIA GARLIC AND ONION DEHYDRATOR ADVISORY BOARD
AUDIT REPORT #09-064

CALIFORNIA GARLIC AND ONION DEHYDRATOR ADVISORY BOARD
AUDIT REPORT

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AUDIT REPORT NUMBER
09-064

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Mr. Robert Maxie, Branch Chief
Marketing Services
California Department of Food and Agriculture
1220 N Street
Sacramento, California 95814

The California Department of Food and Agriculture (CDFA), Division of Marketing Services, Marketing Branch, requested the Audit Office to perform a limited scope fiscal and compliance audit of California Garlic and Onion Dehydrator Advisory Board (Advisory Board). The objective of this audit was to determine whether certain activities and expenditures incurred by the Advisory Board comply with the law and are within Board authority. In addition, our office was to identify any internal control weaknesses we noted upon examination of the Advisory Board's financial records.

The audit scope was limited by the Marketing Branch as it related to certain expenditures. Most notably, the Marketing Branch has allowed the State's marketing orders to implement a travel policy that can be applied retroactively to the audit period. This travel policy allows for the State's marketing orders to incur lodging and per diem expenses up to three times the current State rate. Therefore, our office has been instructed to only report amounts that exceeded this threshold.

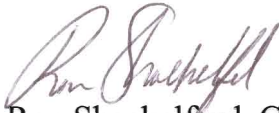
Furthermore, our audit scope was limited to the fiscal years 2005/2006, 2006/2007, and 2007/2008. Although the scope was limited to these years, our office expanded the scope to include information that covered other years if it was readily accessible and/or may have assisted us in understanding a particular issue.

To accomplish the overall audit objectives, our audit methodology consisted of, but was not all inclusive of, reviewing the Advisory Board's:

- Compliance with various rules and regulations
- Employee and Policy Manuals
- Internal controls
- General ledger detail and various financial related documents
- Board and Committee minutes
- Expenses and supporting documentation, including credit card statements and corresponding receipts for each charge
- Contracts
- Payroll documents

We conducted our audit in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States.

This audit report is intended solely for the information and use of the management of the CDFA and California Garlic and Onion Dehydrator Advisory Board and should not be used for any other purpose.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office
(916) 651-8774

REPORTABLE FINDING

ACCOUNTING FOR THE PERSONAL USE OF VEHICLES

The Advisory Board's method for calculating the fringe benefits for the personal use of a company vehicle was not properly documented. Therefore, we are unable to determine whether the value of the fringe benefit is in compliance with the policy of the Internal Revenue Service (IRS). According to the IRS, the appropriate methods of valuation include cents-per-mile, commuting rule, and lease value rule. We noted that per the Chairman's letter dated June 14, 2004 and the policy manual dated February 7, 2008, a company vehicle will be provided to each employee, since they are required to travel to all inspection stations. The value recorded for this fringe benefit would be \$720 per year. However, the Advisory Board is unable to explain the methodology and the criteria used to determine the valuation of this fringe benefit. We noted the Advisory Board has two employees who each used a company vehicle. Our review of the payroll documentation indicated that \$720 was reported in 2005 and 2006, and \$750 was reported in 2007 for the each employee that used the company vehicle. These amounts were included in the IRS Form W-2, Wages and Tax Statement for each year. Since the Advisory Board was unable to explain the methodology used to determine the valuation of this fringe benefit, we strongly recommend the Advisory Board reevaluate the value reported, to ensure it complies with the IRS requirements.

Recommendation

- 1. The Advisory Board should ensure it is properly calculating the fringe benefit for the use of the company vehicle based on IRS requirements.*

**CALIFORNIA GARLIC AND ONION DEHYDRATOR ADVISORY BOARD'S
RESPONSE**

July 16, 2009

Ron Shackelford, CPA
Chief, Audit Office
California Department Food and Agriculture
1220 N Street
Sacramento, CA 95814

Dear Mr. Shackelford:

As Chairman of the Garlic and Onion Dehydrator Advisory Board I'm writing this response to the preliminary draft of the CDFA audit dated July 7, 2009. This response is based on review with the Board's current Directors, management and their CPA.

The reportable finding was the accounting for the personal use of vehicles. The audit recommendation is that the Advisory Board should ensure it is properly calculating the fringe benefit for the use of the company vehicle based on IRS requirements. The Board's Director's, management and their CPA recommended to initiate this policy immediately and to change the Board's policy manual (next scheduled meeting November 5, 2009) on the operation of Board vehicle from:

300.18 OPERATION OF BOARD VEHICLE

Recognizes that management is required to work various hours, days of the week and cover all inspection stations statewide in performing their duties and responsibilities. Vehicle shall be garaged at their residence and may be used occasionally for personal use. GODAB is responsible for all costs of operation of vehicle including insurance. Management is responsible to maintain maintenance of the vehicle. GODAB requires that \$720 is recorded on payroll annually for private use of company auto (puca). Management shall not use vehicle for personal use like vacations.

To:

300.18 OPERATION OF BOARD VEHICLE

Recognizes that management is required to work various hours, days of the week and cover all inspection stations statewide in performing their duties and responsibilities. Vehicle shall be garaged **at** their residence and **may not be used for personal use**. The Board is responsible for all costs of operation of vehicle including insurance. Management is responsible to maintain maintenance of the vehicle. **Management use of Board vehicle is for commuting and de minimis personal use. Board requires that management record on payroll annually the benefit value based on the current IRS commuting rule.**

Ron, your staff was professional during their review and audit of the Board's policies and procedures with management. Thank you.

Sincerely,



Kevin Collins
Chairman



Kris Van Elswyk
Vice-Chairman

C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of California Garlic and Onion Dehydrator Advisory Board, for its review and response. To clarify the IRS Commuting Rule indicated in the response, the company vehicle shall not be used for personal purposes other than commuting and de minimis personal use.

DISPOSITION OF AUDIT RESULTS

The findings in this report are based on fieldwork my staff performed on April 27, 2009. My staff met with management on April 27, 2009 for a preliminary exit to discuss the findings and recommendations, as well as other issues.

This report is intended for the CDFA and the Marketing Board for their review and action if necessary. However, this report is public document and its distribution is not restricted.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Chairman, California Garlic and Onion Dehydrator Advisory Board
1	Director, CDFA Marketing Services Division
1	Branch Chief, CDFA Marketing Branch
1	Chief Counsel, CDFA Legal Office
2	Chief, Audit Office